New Hampshire

Business Employment Dynamics

Quarter Ending September 2008

About this Data Series …

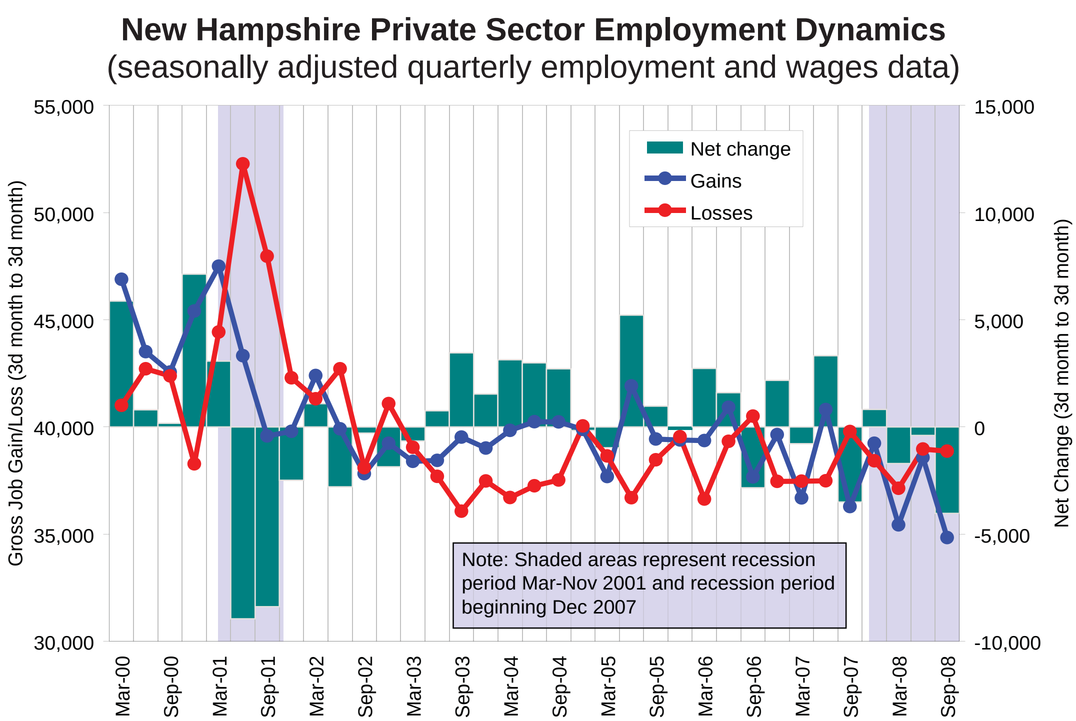
The Economic and Labor Market Information Bureau publishes Business Employment Dynamics (BED) statistics for New Hampshire, with the cooperation of the US Bureau of Labor Statistics (BLS). These statistics are made available quarterly. The Business Employment Dynamics statistics series contains information on quarterly gross job gains and gross job losses. Gross job gains and gross job losses reveal aspects of business dynamics that underlie the net employment changes that are reported in monthly nonfarm estimates and in quarterly covered employment and wages (QCEW) data.

National BED news releases and data are published by BLS approximately six months after the completion of each quarter. They can be found at www.bls.gov/bdm/home.htm#data.

State numbers are available nine months after the completion of each quarter. The latest New Hampshire numbers, which were released in late April 2009, are for the Quarter ending September 2008. The Economic and Labor Market Information Bureau updates New Hampshire BED information as it becomes available.

Gross Job Gains and Losses in New Hampshire – Seasonally Adjusted

From June 2008 to September 2008 New Hampshire continued to see a decline in the number of seasonally adjusted jobs in covered employment. From June employment levels to September levels, the number of private sector seasonally adjusted gross jobs gained in New Hampshire was 34,837. These were more than tempered by gross job losses numbering 38,872, yielding a net loss of 4,035 jobs. While many firms



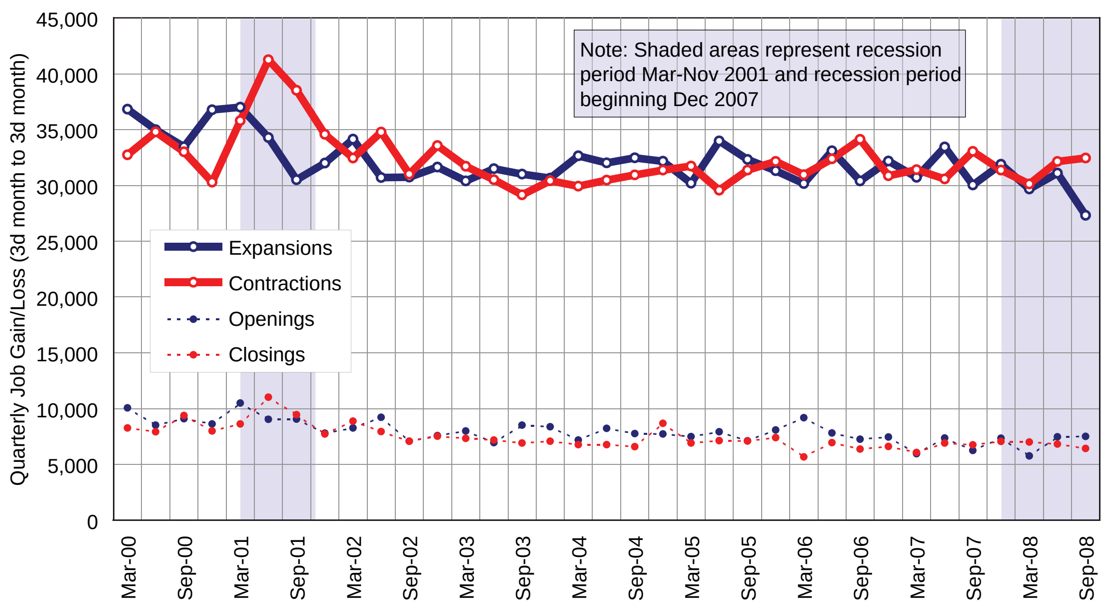
were either opening or expanding, and thereby adding jobs to the New Hampshire economy, the drops in employment levels in firms that were either reducing employment or closing more than offset those increases. This was the largest June-to-September employment drop since 2001, although only slightly greater than the net loss from June-to-September in 2007.

Gross job gains for September 2008 reflected 6.4 percent of total employment (the average of June 2008 and September 2008 private employment), while gross job losses represented 7.2 percent of total employment. The net result, a –0.8 percent drop in total private sector seasonally adjusted employment, was influenced mainly by the smallest June-to-September gross job gains since the series started with 1992 data. In fact, gross job losses between the two months (-38,872) were slightly lower than June-to-September changes in 2006 and 2007 (-40,502 and –39,787, respectively).

June-to-September 2008 represented the third consecutive quarterly net job loss, the first time that has happened since the 2002-2003 period following the previous recession. December 2007 was identified by the National Bureau of Economic Research as the peak of economic activity and the beginning of the current national recession.

The most interesting component change from June to September was the lack of jobs added by expanding firms. Expanding establishments in New Hampshire gained, seasonally adjusted, 27,321 jobs from June 2008 to September 2008 while opening establishments created 7,516 additional jobs. Between the same months contracting establishments shed 32,447 jobs and closing establishments, 6,425 jobs. The main driver in the New Hampshire economy from June to September appears to have been the low level of hiring (seasonally adjusted) by expanding firms.

Components of New Hampshire Private Sector Gross Job Gains and Job Losses, Seasonally Adjusted, March 2000 – September 2008



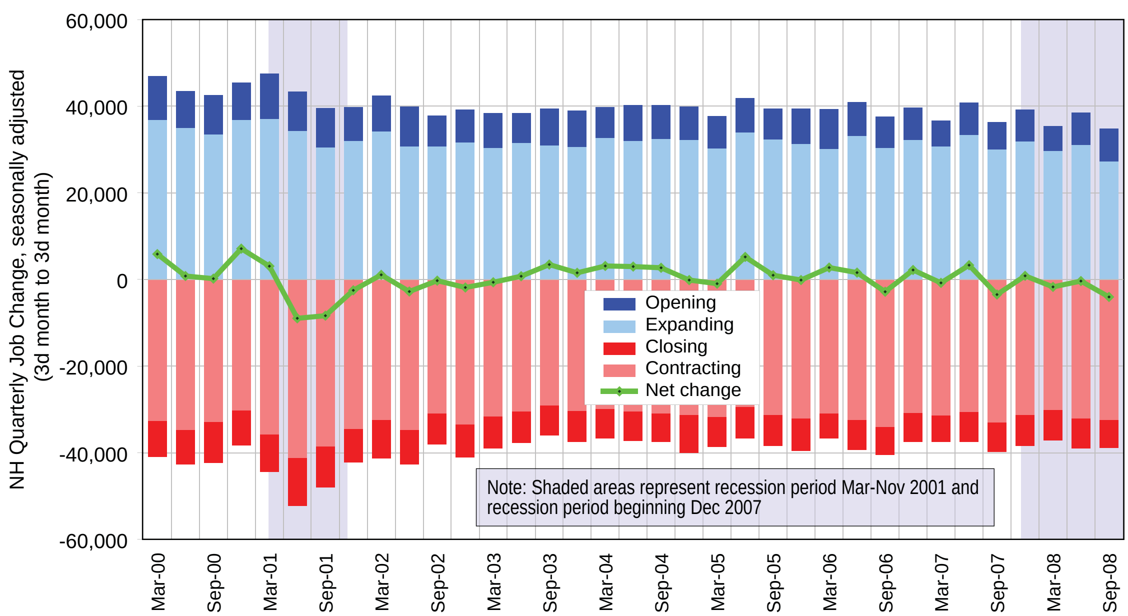
It should be noted that the gross jobs gained in the first quarter of an opening establishment and the jobs shed in the last quarter of a closing establishment do not represent the true impact of business openings and closings. Typically businesses close following an extended period of contraction, and new businesses may start with a skeleton workforce and not reach their intended staffing levels until months later.

Gross Job Gains, Gross Job Losses, and Net Employment Change

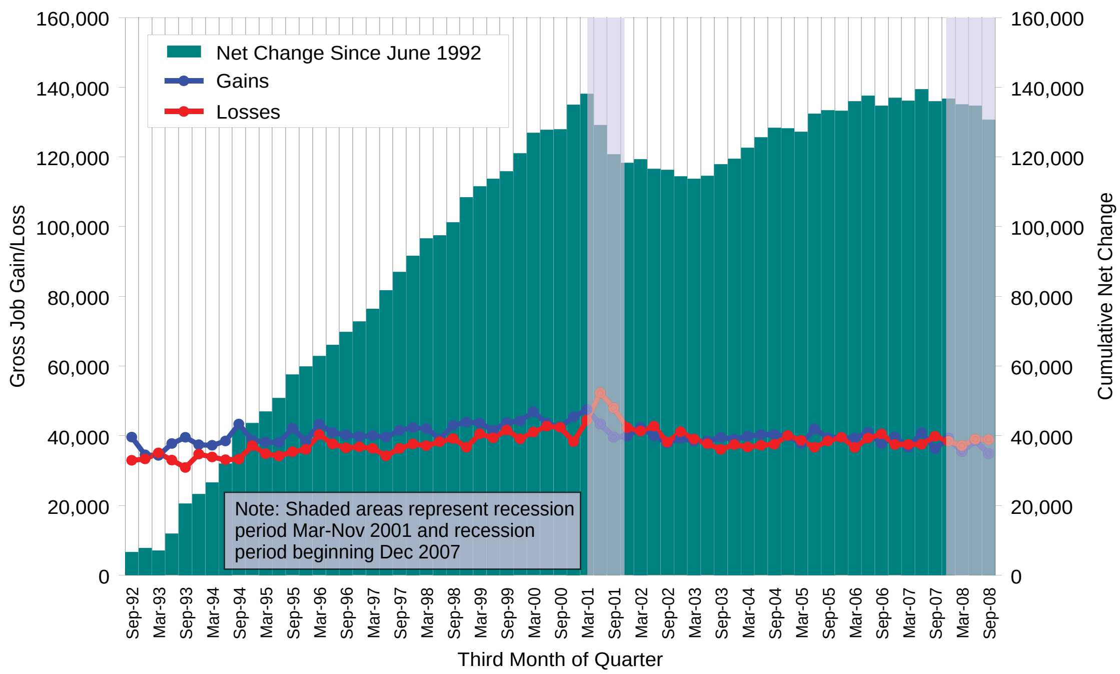
When the total number of jobs in the economy is rising, still there are establishments that are contracting or closing. Likewise when total jobs numbers are on the decline, still some establishments are opening or expanding. In a recession we can expect to see gross job gains fall relative to gross job losses. The build-up to the 2001 national recession saw both gross job gains and losses on the rise in New Hampshire. The post-2001 recession period has seen fewer wide swings in the numbers of gross job gains and losses. It is still too early to discern what the gross job gain and gross job loss patterns will be during the recession that was officially tagged as beginning in December 2007. During the first three quarters of 2008 we have noticed that gross job losses are fairly comparable to the first three quarters of 2007.

On the other hand, the level of gross job gains for each of the first three quarters of 2008 were lower than during each of the first three quarters of 2007, primarily among firms expanding employment rather than in firms that were opening. This is further evidence that New Hampshire was beginning to feel some effects of the national economic downturn during the third quarter of 2008, but more modestly and a little later than the United States as a whole.

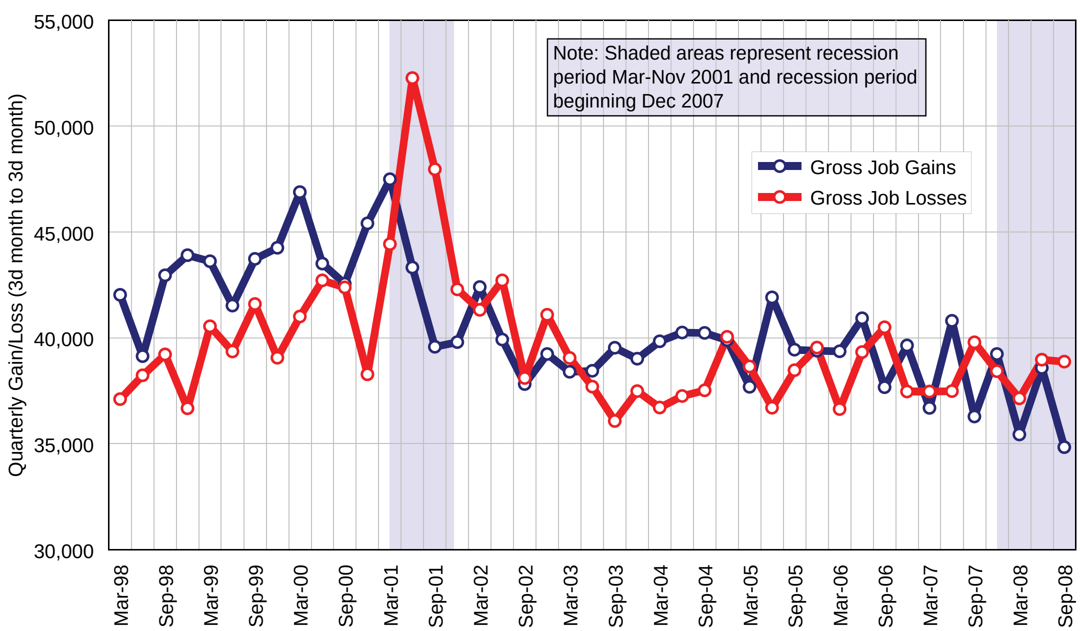
Net Employment Change is the Combination of the Gross Gains of Expanding and Opening Businesses and the Gross Losses of Contracting and Closing Businesses in the Private Sector



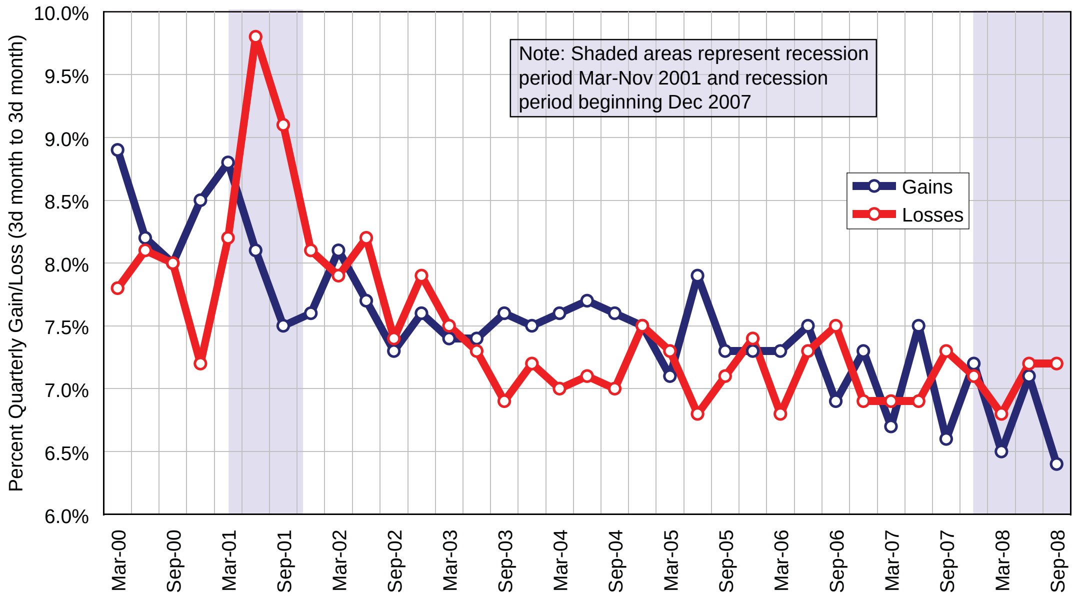
New Hampshire Private Sector Employment Dynamics
(seasonally adjusted quarterly employment and wages data)



New Hampshire Private Sector Gross Job Gains and Gross Job Losses, Seasonally Adjusted, March 2000 – September 2008



New Hampshire Private Sector Gross Job Gains, Gross Job Losses (percent*), Seasonally Adjusted, March 2000 – September 2008



* The rates measures gross job gains and job losses as a percentage of the average of the previous and current quarter employment levels.

Concepts and Methodology

What are Gross Job Gains and Gross Job Losses and how are they measured?

The Business Employment Dynamics series provides measures of the gross jobs gained by expanding and opening businesses and the gross jobs lost by contracting and closing businesses. It measures the net changes in employment at the establishment level. These changes come about in one of four ways. A net employment increase can arise from either (1) opening establishments or (2) expanding establishments. A net employment decrease can flow from either (3) closing establishments or (4) contracting establishments. Gross job gain is the sum of all jobs added at either opening or expanding establishments. Gross job loss is the sum of all jobs lost in either closing or contracting establishments. The net change in employment is the difference between gross job gains and gross job losses.

Expansions and Contractions vs. Opening and Closings

At any point in time there are many more establishments that are either expanding or contracting than there are establishments opening or closing. The result is that the volume of job churning activity in expanding and contracting businesses is considerably greater than in those that are opening and closing. A large portion of the employment gains in expanding establishments is cancelled out by losses in contracting establishments. The same is true of opening and closing establishments. So the net change is but a small fraction of the gross changes.

Data Sources

The data used to construct the Business Establishment Dynamics (BED) gross job gains and gross job losses statistics is from the Quarterly Census of Employment and Wages (QCEW), or ES-202, program. This data includes all establishments subject to State unemployment insurance (UI) laws and Federal agencies subject to the Unemployment Compensation for Federal Employees program. Each quarter, the State agencies edit and process the data and send the information to BLS in Washington, DC. The data covers approximately 98 percent of all wage and salary employment. One exclusion from UI coverage is certain nonprofit organizations. The self-employed are also excluded. Establishments report employment for the pay period that includes the 12th of the month. The BED job flow estimates report employment changes between the third months of each quarter.

All establishment-level employment changes are measured from the third month of each quarter. Not all establishments change their employment levels; these establishments are included in total employment, but do not affect counts of gross job gains and gross job losses.

Job flows are expressed as percentages by dividing their levels by the average of employment in the current and previous quarters. This provides a symmetric growth rate. Job flows are calculated for the components of gross job gains and gross job losses and summed to form their respective totals. Job flow rates can be added and subtracted just as their levels can. For instance the difference between the gross job gains rate and the gross job loss rate is the net growth rate.

Tracking Establishments Quarter to Quarter

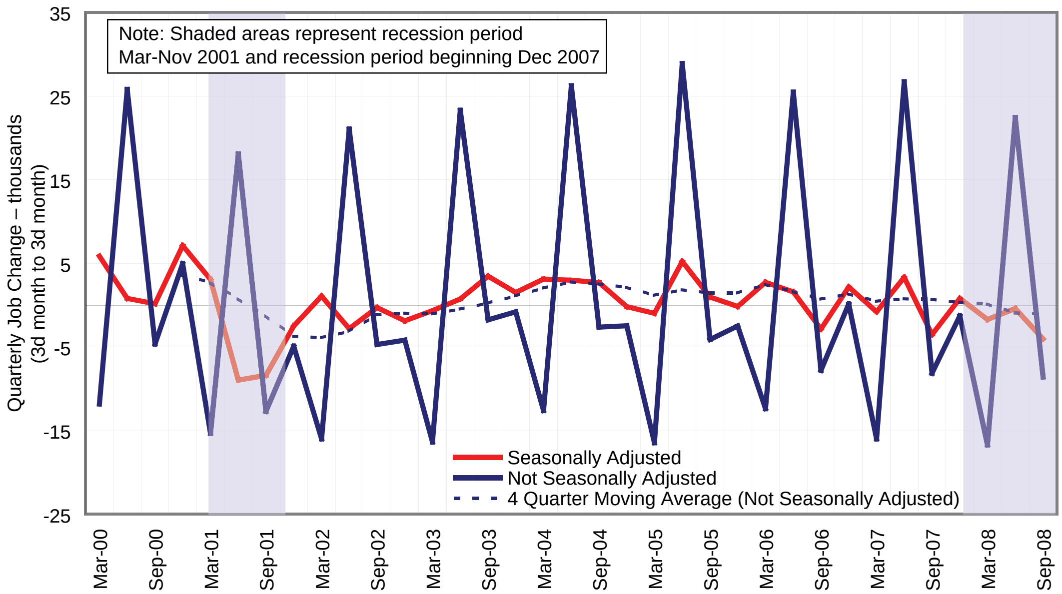
To identify which establishments are gaining jobs and which are losing jobs, it is necessary to track data for individual establishments from one quarter to the next. An ownership change or the restructuring of an establishment can make linking its data, from quarter to quarter, difficult. A linkage process makes matches based on each establishment's unique State Employment Security Agency identification numbers (SESA-ID). Between 95 to 97 percent of establishments identified as continuous from quarter to quarter are matched by SESA-ID. The rest are linked in one of two ways.

The first method uses predecessor and successor information, identified by the States, which relates records with different SESA-IDs across quarters. Predecessor and successor relationships can come about for a variety of reasons, including a change in ownership, a firm restructuring, or a UI account restructuring. If a match cannot be attained in this manner, a probability-based match is used. This match attempts to identify two establishments with different SESA-IDs as continuous. The match is based upon comparisons such as the same name, address, and phone number. Finally, an analyst examines unmatched records individually and forces a match, if possible.

Seasonal Adjustment

To capture the economic changes underlying the numbers, the Bureau of Labor Statistics provides the states with seasonally adjusted BED statistics. Over the course of a year, employment levels and the associated job flows undergo sharp fluctuations due to seasonal influences such as the normal changes in weather patterns as the seasons change from spring to summer, autumn, and winter; major holidays; school openings and closings; and other recurring events that result in regular reductions or expansions in production. The effect of such seasonal fluctuations can be very large.

New Hampshire BED Quarterly Net Employment Change, March 2000 – September 2008 Seasonally vs. Not Seasonally Adjusted



Assuming that these seasonal events follow a more or less regular pattern each year, their influence can be ameliorated by adjusting this data for the quarter to quarter changes. Such adjustments make nonseasonal developments, such as declines in economic activity, easier to discern. For example, a large number of youth entering the labor force, when school lets out, may obscure any other changes that have taken place in June relative to March, making it difficult to determine if the underlying level of economic activity has risen or declined. However, because the economic impact the school calendar has had in previous years is known, the statistics for the current year can be adjusted, assuming a comparable change. Seasonally adjusted statistics can be a useful tool with which to analyze changes in economic activity.

The seasonally adjusted series for employment and establishments at opening, expanding, closing, and contracting establishments are independently adjusted and the net changes are calculated based on the difference between gross job gains and gross job losses.

Definitions

Establishment. The physical location of a certain economic activity—for example, a factory, mine, store, or office. A single establishment generally produces a single good or provides a single service. An enterprise (a private firm, government, or nonprofit organization) can consist of a single establishment or multiple establishments. All establishments in an enterprise may be classified in one industry (e.g., a chain), or they may be classified in different industries (e.g., a conglomerate).

Openings (or opening establishments). These are either establishments with third month employment for the first time in the current quarter and no links to any establishment in the prior quarter, or with third month employment in the current quarter following no employment in the previous quarter.

Expansions (or expanding establishments). These are establishments with positive employment in the third month in both the previous and current quarters that have a net increase in employment over this period.

Closings (or closing establishments). These are establishments with third month employment in the previous quarter and with no employment reported in the current quarter.

Contractions (or contracting establishments). These are establishments with employment in the third month in both the previous and current quarters and which have a net decrease in employment over this period.